DRN-5172928

The complaint

Mr R complains that Nutmeg Saving and Investment Limited (Nutmeg) failed to collect a pension contribution of £10,000 that he attempted to make into his personal pension before the end of the 2023/2024 tax year, leading to a financial loss. He also complains that Nutmeg didn't tell him what had happened until it was too late to correct.

What happened

I understand that in March 2022, Mr R set up a direct debit instruction with his bank to make a single contribution to his Nutmeg pension.

On 28 March 2024, Mr R contacted Nutmeg as he wanted to make a £10,000 contribution into his personal pension. Mr R expected his existing direct debit mandate to be used for this. Nutmeg wrote to Mr R the following day to tell him that the contribution would be taken from his bank account. It then pre-funded the £10,000 contribution on 4 April 2024.

However, the day after Nutmeg tried to collect the contribution through the direct debit on 4 April 2024, Mr R's bank notified it that the existing direct debit mandate had expired. Nutmeg then withdrew the pre-funded contribution from Mr R's pension on 11 April 2024.

As his pension contribution hadn't been collected in time for the previous tax year, and would therefore have tax implications for him, Mr R complained to Nutmeg. He said that if Nutmeg had pointed out to him at an earlier stage that his direct debit mandate with it had expired, he could've looked at other possible payment methods. He said he'd had no idea that direct debit mandates could expire. And felt that Nutmeg hadn't offered any other way of contributing to his pension. He felt that when he'd set up on the contribution without any error message through Nutmeg's App, he'd reasonably assumed that the contribution would be made. Mr R also told Nutmeg that it'd been a shock to find out that his pension fund value appeared to be £242, as his original investment didn't show through the App.

Nutmeg issued its final response to the complaint on 2 May 2024. It didn't think it'd done anything wrong. It said that Mr R's first and only direct debit with it had been set up in March 2022. But that as he hadn't made any contributions under that direct debit between March 2022 and March 2024, his bank had chosen to cancel it due to the dormancy rule.

Nutmeg said that it was only when it attempted to collect the payment that Mr R's bank told it that the direct debit mandate was inactive. And that it couldn't collect payment without a new mandate.

Nutmeg went on to say that if Mr R still wished to make a pension contribution, he might be able to use the pension carry forward rules.

Mr R felt that Nutmeg had failed to tell its consumers that a direct debit – which he felt was the only method of contribution it offered - could expire, and should therefore be renewed after a specific period. He said he'd not been aware of this. And he didn't think other people were aware either.

Nutmeg told Mr R that it had no control or oversight about whether or not a direct debit would be cancelled by a bank. So it had no way of confirming if his direct debit would be cancelled by his bank or not. Nutmeg sent Mr R a weblink to a support article on its website which it said advertised the tax year end deadlines. It said this stated that if someone hadn't contributed to their pension in the last year, they may need to check that their direct debit was still active:

Mr R was unhappy with Nutmeg's response so he referred his complaint to this service in August 2024. He felt Nutmeg hadn't explained why it couldn't have told him that direct debit mandates that hadn't been used for a while couldn't be used for pension contribution transfers. He also felt that it hadn't explained why it couldn't offer an alternative method of depositing money, given the direct debit issue. Mr R said that although Nutmeg had sent him a weblink to an article which noted direct debits did expire after two years, it hadn't drawn his attention to that article before then.

Mr R said that if Nutmeg had told him when he first arranged the contribution that he couldn't use the existing direct debit mandate, he could've made arrangements to transfer the funds in another way. To put things right, Mr R wanted Nutmeg to make good the tax loss he felt it'd caused.

Mr R said that around 5 April 2024, his pension account balance was showing in the App as £242, instead of the around £25,000 he was expecting. So he contacted Nutmeg to query this. I understand that it was at this point that Nutmeg told him that it hadn't been able to take his contributions. And that it had therefore needed to adjust his balance. Mr R said that Nutmeg reassured him that his original contribution remained invested and would reappear in his pension account through the App within a few days.

Our investigator issued his initial view on the complaint on 15 October 2024. He felt that Nutmeg could've provided Mr R with better service. He recommended that it paid him £300 compensation for the distress and inconvenience it'd caused him.

Nutmeg didn't agree with our investigator. It said it hadn't chosen to use a dormant direct debit mandate. It said that the direct debit had shown as active on its platform until it received notification from Mr R's bank that it'd cancelled it.

Nutmeg also said that even if it had been identified that Mr R's direct debit mandate was dormant for too long a period for the contribution to collect, it wouldn't have been able to set up a contribution to collect in time for the tax year end. It said the earliest possible date it could've collected the contribution, given the process for setting up a new direct debit mandate, would've been 11 April 2024. Nutmeg also noted that it'd advertised the deadline for setting up a new direct debit mandate in time for the tax year end as 4pm on 15 March 2024.

Mr R still felt that Nutmeg should pay him some financial redress. Based on his changing financial circumstances, he wasn't yet sure whether he would've made contributions in both the 2023/2024 tax year and the 2024/2025 tax year. But he acknowledged that if he only made one contribution his financial loss would arguably reduce from £4,000 to £1,500. He therefore felt that this was the minimum amount which Nutmeg should pay him to resolve his complaint.

Our investigator issued his second view on the complaint on 31 October 2024. He now felt that Nutmeg had acted fairly. He said that Mr R had asked to make the £10,000 contribution on 28 March 2024. Therefore this meant that even if the existing mandate had been identified as cancelled, a new one would've needed to have been established. But this would've taken 10 business days from 28 March 2024. And therefore the contribution couldn't have been made in the 2023/2024 tax year.

Our investigator acknowledged that Mr R felt that Nutmeg should have payment methods other than direct debits available. But felt that it wasn't unreasonable for it to only be able to process contributions into a pension through a direct debit.

Mr R still felt that Nutmeg should've had other methods available for paying in contributions. He also still felt that it should've warned its consumers about the need to check whether their direct debits remained active if they hadn't been used for some time. Mr R didn't feel that our investigator had considered the position from the perspective of a consumer.

Mr R told this service that he didn't make a pension contribution in the 2023/2024 tax year because there was no time to do so once he found out about the direct debit issue. He also said he'd yet to make a decision about whether to make a pension contribution in the 2024/2025 tax year, noting that his circumstances had in any event changed, meaning that he wouldn't receive the same level of tax relief if he did make a contribution this tax year.

As agreement couldn't be reached, the complaint has come to me for a review.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I'm not going to uphold it. I know this will be disappointing to Mr R. I'll explain the reasons for my decision.

When Mr R contacted Nutmeg on 28 March 2024, he was keen to ensure that his contribution could be made before the end of the tax year, using his original direct debit instruction from 2022. As Mr R's bank details hadn't altered, he understood the existing direct debit that Nutmeg had on their systems would be adequate.

Nutmeg wrote to Mr R on 29 March 2024 to notify him that it intended to use the Direct Debit mandate he'd completed when he'd set up his account in 2022. It stated the following:

For one off lump sum payments we will now begin the process of claiming funds from your bank account, this will take up to 10 working days to complete.

Nutmeg pre-funded the £10,000 contribution on 4 April 2024. But after it'd requested payment, Mr R's bank told it on 5 April 2023 that the existing direct debit had expired due to its dormancy rules.

Once Nutmeg found out that Mr R's bank wouldn't send it the requested funds under the existing direct debit, it withdrew its pre-funded contribution from Mr R's pension on 11 April 2024. This led to a short period where Mr R's account didn't appear correct, which caused him concern. The evidence shows that once Mr R called Nutmeg to query the amount showing on his App, it explained what had happened.

Mr R felt that it Nutmeg should've warned him and its other customers about the need to check whether their direct debits remained active if they hadn't been used for some time. So I first considered whether Nutmeg should've realised Mr R's direct debit might've expired. And then alerted him about that.

Should Nutmeg have warned Mr R that his direct debit might've expired?

Nutmeg told this service that due to the number of client contributions added on a daily basis, it couldn't individually check each one to see when the last contribution was made and then make a judgement on whether a new direct debit mandate would be needed.

Nutmeg also said that even if it had been able to identify that Mr R's direct debit might have expired due to his bank's dormancy rules, the earliest possible date it could've collected his contribution, given the timing of his first request, would've been 11 April 2024. It said it'd advertised that the deadline for setting up a new direct debit mandate in time for the tax year end as 4pm on 15 March 2024.

As our investigator noted, Nutmeg's website stated:

"*If you're making your first Direct Debit contribution into your pension, the deadline is 16:00 on Friday 15th March. The first Direct Debit contribution takes 10 business days to process from when the mandate is put in place*".

Although I can see that Mr R didn't consider that any updated direct debit with his existing bank would've been classed as a new direct debit instruction, I can't reasonably agree. I say this because once his original instruction had become dormant, Nutmeg's standard process would require a new instruction to be set up in the timescales it detailed on its website.

I'm therefore satisfied that even if Nutmeg had told Mr R at the time that he first contacted it to make a contribution that he'd need to set up a new direct debit instruction, there wasn't enough time between then and 5 April 2023 for it to set up the new payment authority, collect the premium and apply it to his pension.

As the direct debit had become dormant, the latest Mr R could've been sure his contribution would've been credited to his pension was if he had asked Nutmeg to set up the direct debit by 4pm pm 15 March 2024.

Mr R also complains that Nutmeg should've made him aware that his direct debit mandate might expire. Our investigator noted that Nutmeg's website stated: "*If you haven't contributed to your Nutmeg pension in the last year, you may need to check your Direct Debit is still active*. *Different banks will have different policies, but usually banks will cancel a Direct Debit that has been inactive for a period of 24 months. If this is the case, more time will be needed to set up a new Direct Debit*."

I've thought about whether Nutmeg should've been aware that Mr R's direct debit had become dormant sooner. Whilst the wording above did state that banks would usually cancel direct debit details if they've been inactive for 24 months, it also stated that a consumer should check if their direct debit was still active if it hadn't been used in the last year.

I wouldn't expect Nutmeg to know the precise arrangements between different banks as they can and do differ. And I can see that Mr R's bank only advised Nutmeg that his direct debit had become dormant when it attempted to collect the contribution he'd wanted to make in late March 2024. I'm therefore satisfied that Nutmeg provided Mr R with access to sufficient information about what his bank might do if he didn't use his direct debit for some time.

Mr R also felt that Nutmeg should've had other methods available for paying in contributions, particularly when there was a deadline to be met. So I've gone on to consider this point.

Should Nutmeg have made other payment methods available?

Mr R felt that Nutmeg had indicated that it'd accepted his contribution, before then telling him that the payment couldn't be taken. He felt that if Nutmeg had told him sooner that his direct debit mandate with it had expired, he could've looked at other possible payment methods.

Nutmeg's website at the time of the contribution stated that the only payment method it could accept for its pension product was by direct debit. Therefore, Mr R couldn't have made alternate arrangements with his bank when he realised his direct debit had been cancelled.

I do acknowledge that Mr R wants me to consider the position from the perspective of a consumer, but I don't have the power to tell Nutmeg which payment methods it must offer.

While I understand why Mr R would've preferred Nutmeg to have offered him alternative methods of payment, I can't reasonably say it did anything wrong here. I've not been presented with any evidence that it treated Mr R unfairly, or that it failed to offer him a service to which it had previously committed. I agree with our investigator that Nutmeg can choose which payment methods to accept.

I understand why Mr R has complained that his App appeared to show his contribution had been successful, despite the fact that his direct debit had become dormant. He wouldn't have known there was a problem. But I'm not persuaded that Nutmeg should've known there was a problem with the direct debit until after it'd tried to collect the contribution. As it has already told Mr R, Nutmeg has no control or oversight about whether or not his bank cancels his direct debit.

I'm sorry that Mr R couldn't make the contribution he wanted to make in the 2023/2024 tax year. I can see it would've been upsetting to find out in the way that he did that his contribution hadn't been possible. But I can't fairly hold Nutmeg responsible for the fact that Mr R's bank cancelled his direct debit just before the end of the tax year. I therefore don't uphold the complaint.

My final decision

For the reasons I've explained, I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 April 2025.

Jo Occleshaw
Ombudsman